



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1205 (456)

May 23, 1985

SUBJECT: Adjustment of Debts When
Borrowers are in Bankruptcy

TO: All State Directors, District Directors,
County Supervisors and Director, Finance Office

Purpose/Intended Outcome

To clarify our policy on the adjustment of debts when borrowers are in Chapter 11 or Chapter 13 bankruptcy proceedings, and a reorganization plan provides for adjusting the FmHA debts.

Comparison with Previous AN

This AN replaces FmHA AN 927 (456), which expired October 31, 1984. There are no changes from the previous AN.

Implementation Responsibilities

FmHA personnel do not have the authority to accept or reject a reorganization plan on behalf of the United States for bankrupt borrowers filing under Chapter 11 or Chapter 13 when the plan calls for part of the FmHA debt to be forgiven. FmHA Instructions 456.1, 465.1 and 1962-A do not authorize the adjustment of debts of borrowers who have filed under Chapters 11 or 13 while the plans are in effect.

Plans submitted by debtors under Chapters 11 and 13 must be sent by the County Supervisor to the State Director who will refer them to the United States Attorney through the Regional Attorney. When the plan calls for the adjustment of a debt to FmHA, the State Director will provide the Regional Attorney with a recommendation on acceptance or rejection of the plan.

Even if the United States Attorney objects to a plan, the Bankruptcy Court can invoke a "cramdown" and confirm the plan in Chapter 11 and most Chapter 13 cases.

EXPIRATION DATE: May 31, 1986

FILING INSTRUCTIONS: File Preceding
FmHA Instruction 456.1



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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

The U.S. Attorney will advise the FmHA State Director through the Regional Attorney as to approval or rejection of the borrower's reorganization plan. Upon notification of an approval, the State Director will notify the Finance Office by memorandum of the terms and conditions of the bankruptcy reorganization plan including any adjustment of the borrower's debt. This will also be done in "cramdowns" imposed by the courts.

Dwight O. Calhoun

DWIGHT O. CALHOUN

Acting Associate Administrator